

1926

ANNUAL REPORT

OF

The Delaware, Lackawanna and Western Railroad Company

FOR THE YEAR ENDING DECEMBER 31st, 1926

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Compliments of

J. M. DAVIS,

President, The D., L. & W. R. R. Co.

THE DELAWARE, LACKAWANNA AND WESTERN RAILROAD COMPANY

MANAGERS:

Elected at the annual meeting of Stockholders, February 23, 1926.

WILLIAM FAHNESTOCK	SAMUEL SLOAN
GEORGE F. BAKER, JR.	PERCY R. PYNE
WILLIAM H. TRUESDALE	ROY C. GASSER
JOHN F. TALMAGE	PAUL MOORE
M. HARTLEY DODGE	CLARENCE M. WOOLLEY
BEEKMAN WINTHROP	LOWELL R. BURCH
WILLIAM S. JENNEY	HORACE HAVEMEYER

EXECUTIVE COMMITTEE:

WILLIAM H. TRUESDALE, Chairman

GEORGE F. BAKER, JR.

BEEKMAN WINTHROP

J. M. DAVIS

OFFICERS:

Chairman of Board of Managers,	WILLIAM H. TRUESDALE, New York, N. Y.
President,	J. M. DAVIS, " "
Vice-President and General Counsel,	WILLIAM S. JENNEY, " "
Vice-President and General Manager,	E. M. RINE, " "
Vice-President,	P. J. FLYNN, " "
Secretary and Treasurer,	W. G. VAN DE WATER, " "
Assistant Secretary and Assistant Treasurer,	J. G. ENDERLIN, " "
Comptroller,	G. E. HUSTIS, " "
General Auditor,	R. B. FERGUSON, " "
Chief Engineer,	G. J. RAY, Hoboken, N. J.
General Superintendent,	E. B. MOFFATT, Scranton, Pa.
General Freight Traffic Manager,	NAT DUKE, New York, N. Y.
Freight Traffic Manager,	J. J. BYRNE, " "
Assistant Freight Traffic Manager,	C. F. McTAGUE, " "
General Freight Agent,	A. B. WALLACE, " "
Passenger Traffic Manager,	W. F. GRIFFITHS, " "
General Passenger Agent,	W. H. DOMINICK, " "
Superintendent Motive Power and Equipment,	C. J. SCUDDER, Scranton, Pa.
Purchasing Agent,	C. C. HUBBELL, New York, N. Y.
Manager, Marine Department,	J. M. EMERY, Hoboken, N. J.
Chief Surgeon,	J. M. WAINWRIGHT, Scranton, Pa.

THE DELAWARE, LACKAWANNA AND WESTERN RAILROAD COMPANY
MILEAGE OPERATED DECEMBER 31st, 1926

	Miles of Road	Second Main Track	Third Main Track	Fourth Main Track	Sidings	Total
Pennsylvania	254.98	141.59	67.69	25.72	321.91	811.89
New Jersey	241.10	146.40	36.49	21.44	318.94	764.37
New York	493.55	254.50	.....	.....	405.98	1,154.03
	989.63	542.49	104.18	47.16	1,046.83	2,730.29

EQUIPMENT DECEMBER 31st, 1926, OWNED OR LEASED

	Available for Service at Beginning of Year	Installed During Year	Retired from Service During the Year	Number in Service Dec. 31, 1926	Total Tractive Power (Pounds)
LOCOMOTIVES:					
Steam—Freight	431	25	24	432	19,792,800
Steam—Passenger	167	.....	4	163	5,056,000
Steam—Switching	168	.....	14	154	4,367,200
Electric—Switching . . . . .	.....	1	.....	1	28,000
Oil-Electric—Switching . . . . .	.....	1	.....	1	36,000
Total	766	27	42	751	29,280,000
					Aggregate Capacity (Tons)
FREIGHT CARS:					
Box Cars	15,685	501	859	15,327	535,000
Flat Cars	27	50	15	62	2,360
Stock Cars	83	39	41	81	2,910
Coal Cars	11,324	400	461	11,263	519,790
Refrigerator Cars	914	.....	22	892	26,800
Caboose Cars	334	30	44	320	.....
Other Freight Train Cars	19	.....	2	17	510
Total	28,386	1,020	1,444	27,962	1,087,370
PASSENGER CARS:					
Coaches	462	15	15	462	.....
Combination Passenger Cars	89	.....	6	83	.....
Other Combination Cars	24	4	5	23	.....
Dining Cars	9	2	.....	11	.....
Baggage and Express Cars	282	91	53	320	.....
Postal Cars	22	.....	16	6	.....
Other Passenger Train Cars	10	.....	.....	10	.....
Total	898	112	95	915	.....
COMPANY SERVICE CARS:					
Officers and Pay Cars	7	1	1	7	.....
Ballast Cars	236	50	54	232	.....
Derrick Cars	20	.....	1	19	.....
Steam Shovels	2	.....	.....	2	.....
Other Company Service Equipment	701	105	154	652	.....
Total	966	156	210	912	.....
Total Cars—All Classes	30,250	1,288	1,749	29,789	.....
FLOATING EQUIPMENT:					
Ferryboats	15	.....	.....	15	.....
Tug Boats and Steam Lighters	22	2	.....	24	.....
Barges, Floats and Canal Boats	218	.....	22	196	.....
Other Floating Equipment	4	.....	.....	4	.....
Total	259	2	22	239	.....

THE DELAWARE, LACKAWANNA AND WESTERN RAILROAD COMPANY
INCOME ACCOUNT FOR THE YEARS ENDED DECEMBER 31st, 1926 AND 1925

	1926	1925	INCREASE	DECREASE
REVENUES:				
From Transportation of Anth. Coal	\$22,711,502.29	\$17,757,553.74	\$4,953,948.55	
From Transportation of Merchandise	42,456,050.29	42,091,063.93	364,986.36	
From Transportation of Passengers	13,338,080.81	13,628,672.96		\$290,592.15
From Transportation of Mail	959,785.52	920,428.05	39,357.47	
From Transportation of Express	1,843,871.11	1,983,339.12		139,468.01
From Transportation of Milk	2,253,454.55	2,259,421.65		5,967.10
Other Revenue from Transportation	3,613,730.40	3,478,925.37	134,805.03	
Incidental Revenue	1,628,270.00	1,515,651.63	112,618.37	
Total Revenues	\$88,804,744.97	\$83,635,056.45	\$5,169,688.52	
EXPENSES:				
For Maintenance of Way and Structures	\$8,581,205.82	\$8,331,770.49	\$249,435.33	
For Maintenance of Equipment	16,342,981.46	17,262,143.93		\$919,162.47
For Traffic Expenses	1,584,662.14	1,495,110.75	89,551.39	
For Transportation Expenses	33,095,083.87	32,707,386.79	387,697.08	
For Miscellaneous Operations	686,780.98	671,604.32	15,176.66	
For General Expenses	2,109,123.73	1,989,772.39	119,351.34	
For Transportation for Investment-Cr.	22,348.67	67,179.01		44,830.34
Total Expenses . . . 70.24%	\$62,377,489.33	\$62,390,609.66		\$13,120.33
Net Revenue from Operation. 29.76%	\$26,427,255.64	\$21,244,446.79	\$5,182,808.85	
Less Railway Tax Accruals	7,671,403.68	6,832,652.72	838,750.96	
Less Uncollectible Railway Revenues	9,499.72	9,772.37		\$272.65
Railway Operating Income	\$18,746,352.24	\$14,402,021.70	\$4,344,330.54	
Equipment Rents—Net Cr.	448,728.97	388,173.75	60,555.22	
Joint Facility Rents—Net Cr.	136,828.52	143,802.91		\$6,974.39
Net Railway Operating Income.	\$19,331,909.73	\$14,933,998.36	\$4,397,911.37	
NON-OPERATING INCOME:				
Income from Lease of Road	\$5,197.46	\$5,389.10		\$191.64
Miscellaneous Rent Income	298,714.99	294,038.63	\$4,676.36	
Miscellaneous Non-Operating Physical Property	93,934.18	63,715.58	30,218.60	
Dividend Income	524,881.86	1,508,662.40		983,780.54
Income from Funded Securities	4,298,836.23	4,017,897.97	280,938.26	
Income from Unfunded Securities and Accounts	367,854.63	151,962.71	215,891.92	
Income from Sinking and Other Reserve Funds	4,310.00	4,310.00		
Miscellaneous Income	50,074.67	30,577.01	19,497.66	
Total Non-Operating Income	\$5,643,804.02	\$6,076,553.40		\$432,749.38
Gross Income	\$24,975,713.75	\$21,010,551.76	\$3,965,161.99	
DEDUCTIONS FROM GROSS INCOME:				
Rent for Leased Roads	\$6,993,306.09	\$6,533,523.14	\$459,782.95	
Interest on Funded Debt	5,856.00	5,856.00		
Interest on Unfunded Debt	63,351.01	40,978.08	22,372.93	
Total Deductions from Gross Income	\$7,062,513.10	\$6,580,357.22	\$482,155.88	
Net Income	\$17,913,200.65	\$14,430,194.54	\$3,483,006.11	
DISPOSITION OF NET INCOME:				
Dividends Declared	\$11,821,754.00	\$11,821,754.00		
Investment in Physical Property	692,196.01	914,876.42		\$222,680.41
Total Appropriations	\$12,513,950.01	\$12,736,630.42		\$222,680.41
Surplus for Year Carried to Profit and Loss	\$5,399,250.64	\$1,693,564.12	\$3,705,686.52	

OPERATING RESULTS AND STATISTICS
FOR THE YEAR ENDING DECEMBER 31st, 1926

	1926	1925	INCREASE	DECREASE	PER CENT
FREIGHT STATISTICS					
Freight Train Miles—Revenue	6,858,042	6,686,109	171,933		2.6
Total Freight Train Miles	7,258,515	7,123,937	134,578		1.9
Freight Locomotive Miles—Revenue	9,017,070	8,836,013	181,057		2.0
Total Freight Locomotive Miles	9,602,135	9,439,228	162,907		1.7
Loaded Freight Car Miles	217,410,646	207,248,842	10,161,804		4.9
Total Freight Car Miles	320,004,821	305,097,647	14,907,174		4.9
Tons of Revenue Freight Carried	29,167,538	26,397,447	2,770,091		10.5
Tons of Company Freight Carried	3,312,359	3,189,137	123,222		3.9
Ton Miles of Revenue Freight	4,964,587,769	4,587,676,567	376,911,202		8.2
Ton Miles of Company Freight	405,718,485	425,074,131		19,355,646	4.6
Gross Ton Miles (Cars and Contents)					
All Freight	12,164,046,271	11,440,614,171	723,432,100		6.3
Net Ton Miles, All Freight	5,370,306,254	5,012,750,698	357,555,556		7.1
Average Revenue per Ton Mile (Cents)	1.31	1.30	.01		.8
Average Distance Hauled per Ton (Miles)	170.21	173.79		3.58	2.1
Average Revenue Tons per Revenue Train Mile	723.91	686.15	37.76		5.5
Average Revenue per Train Mile	9.50	8.95	.55		6.1
Average Gross Tons (Cars and Contents) per Revenue Locomotive Mile	1,349.00	1,294.77	54.23		4.2
Average Gross Tons (Cars and Contents) per Revenue Train Mile	1,773.69	1,711.10	62.59		3.7
Average Net Tons per Revenue Train Mile	783.07	749.73	33.34		4.4
Average Tons per Loaded Car Mile	24.70	24.19	.51		2.1
Percentage of Loaded to Total Car Miles	67.94	67.93	.01		. . .
PASSENGER STATISTICS					
Passenger Train Miles	5,113,722	5,054,250	59,472		1.2
Mail, Express and Milk Train Miles	878,850	862,243	16,607		1.9
Total Passenger Train Miles	5,992,572	5,916,493	76,079		1.3
Total Passenger Locomotive Miles	6,430,921	6,356,309	74,612		1.2
Passenger Train Car Miles—Sleeping, Parlor and Coach	24,790,821	24,778,933	11,888		. . .
Total Passenger Train Car Miles	45,656,824	45,726,969		70,145	.2
Revenue Passengers Carried	28,905,226	29,237,690		332,464	1.1
Revenue Passengers Carried One Mile	666,554,898	670,929,835		4,374,937	.7
Average Revenue per Passenger Mile (Cents)	2.00	2.03		.03	1.5
Average Distance Hauled per Passenger (Miles)	23.06	22.95	.11		.5
Average Revenue per Train Mile—Passengers Only	2.61	2.70		.09	3.3
Average Total Revenue per Train Mile	3.10	3.21		.11	3.4
Average Cars per Train Mile	8	8			. . .
Average Passengers per Train Mile	130	133		3	2.3
Average Passengers per Car Mile	27	27			. . .

New York, April 1st, 1927.

TO THE STOCKHOLDERS OF

THE DELAWARE, LACKAWANNA AND WESTERN RAILROAD COMPANY:

A report of the activities of your Company, in the calendar year 1926, with comparative statements and statistics, explanatory of its operation, is herewith respectfully submitted.

As measured by operating results, 1926 has been the most successful year in the long history of your Company.

The large volume of traffic offered for transportation within the year has been expeditiously handled without embargoes or undue delays, and the relations between the Company and its shipping and traveling public continue to be mutually agreeable and satisfactory.

Total gross revenues from transportation, for the year 1926, exceeded similar revenues for the preceding year by \$5,169,689, while the total operating expenses were \$13,120 less in 1926 than in the year 1925.

The operating results as set forth in the General Income Statement on page 4 and in the detailed schedules elsewhere in this report, are subjected to further explanation and comment, as follows:

TRANSPORTATION REVENUES

The gross transportation revenues from all sources, in 1926, were \$88,804,745.

Effective tariffs of rates and fares were maintained throughout the year 1926 at practically the same levels as those in effect during the year 1925.

Revenues from the transportation of anthracite coal increased over the year 1925 by \$4,953,949.

The suspension of anthracite coal production, which commenced September 1, 1925, was ended by an agreement, dated February 17th, 1926, between the anthracite operators and the striking miners, and mining was resumed the following day, thus ending the longest suspension in anthracite coal production in the past twenty-six years.

Although mining was resumed in February, comparatively little coal was offered for transportation before March 1st, so that the gross earnings for the year 1926, amounting to \$22,711,502, were practically all earned in the last ten months of the year, while the revenues of the year 1925, amounting to \$17,757,554, were earned in the first eight months of the year.

Revenues from Freight Transportation, other than Anthracite Coal, increased over the year 1925 by \$364,986. The favorable showing in this class of traffic is particularly gratifying, in view of the high mark set by similar revenues of 1925, in which year the revenues from merchandise freight exceeded those of any previous year in the Company's history, by nearly two million dollars.

Passenger transportation revenues in 1926 were \$290,592 less than in 1925, due wholly to the continuing inroads made upon local railroad passenger traffic by paralleling bus lines and the use of private automobiles.

From the fact that over four hundred competing buses are able to operate in the local passenger territory of your Company, it must be evident that a considerable number of the passengers formerly carried by it have been diverted to the bus line service.

Revenue from the transportation of United States Mail exceeded that of the year 1925 by \$39,357, thus indicating a steady growth in this class of traffic. The rates for mail transportation however do not produce revenues sufficient in amount to remunerate the carriers fairly for the service rendered, and application has been filed with the Interstate Commerce Commission for increased rates on railway mail transportation. The carriers are represented in this action by a Committee that has directed the assembling and compiling of uniform revenue and cost statistics, for all the carriers, which statements are now being checked by representatives of the Post Office Department, and it is believed that a hearing will be granted by the Commission at an early date, at which time the data supporting the carriers' petition will be presented.

The revenue accruing to your Company in 1926 from Express privileges under contract with the American Railway Express Company, was less by \$139,468 than similar revenue of the year 1925. The decrease is due, in part, to overlapping accounting adjustments from final audits of previous years, and in part, to reduced traffic.

The revenue from Milk shipments in 1926 was approximately the same as for the preceding year. The slight decrease shown resulted from adverse weather conditions in the first six months of the year, which the better conditions and consequent increased traffic that latterly prevailed, did not entirely overcome.

The revenues from other transportation and miscellaneous sources, also the net credit balance in Equipment Rents, show satisfactory increases.

OPERATING EXPENSES

A detailed statement, by primary accounts, of the total cost of maintaining and operating your railroad during the year 1926, compared with the year 1925, will be found on pages 19 to 22 of this report.

The total operating expenses for the year amounted to \$62,377,489, being \$13,120 less than similar costs in the preceding year.

A general statement of the causes for the more important increases and decreases, in comparison with the year 1925, is as follows:

MAINTENANCE OF WAY AND STRUCTURES

The amount expended for repairs and renewals of fixed property, during the year 1926, was \$8,581,206, an increase over the previous year, of \$249,435.

The roadbed, structures and facilities upon which the above expenditures were made, were adequately maintained throughout the year and as a result, your fixed property is in a high state of preservation and serviceability.

Liberal expenditures have been made for the renewal of property showing signs of decay or inadequacy, or for the replacement thereof with units of modern type and kinds best adapted to the present and probable future transportation requirements.

Substantial expenditures were made for re-lining and general renovation of tunnels at Manunka Chunk, N. J., Nay Aug, Penna., and Nicholson, Penna.

There was a considerable increase in the cost of maintaining bridges, trestles and culverts, during the year under consideration, mainly due to expenditures for partial renewal and strengthening the Ithaca Branch bridge over the Susquehanna River at Owego, N. Y., at a total cost of \$154,683, of which \$68,841 was charged to Maintenance expenses and the balance to Investment.

Other costs chargeable to this account were:

The replacement of bridge over the relocated channel of the Buffalo River, at Buffalo, N. Y., and the retirement of bridges over the old abandoned Morris Canal bed at various points in New Jersey, and substituting therefor grading by filling the canal bed.

A reduction in the cost of tie and switch timber renewals is the natural result of using treated ties and switch timbers exclusively, in replacements.

Practically all ties and switch timbers now in the roadbed are chemically treated and the experience of the Company with chemically treated materials of this character has demonstrated that the service life of treated ties and switch timbers is approximately three times that of the natural wood.

The increase in cost of rail renewals is explained by the fact that upwards of five thousand tons more of new rails were laid in replacement than in the preceding year.

A comparison of tonnage of new rail laid in replacement, years 1920 to 1926, inclusive, showing weight sections used, is as follows:

Year	Tonnage 130 Lbs. to Yard	Tonnage 118 Lbs. to Yard	Tonnage 105 Lbs. to Yard	Tonnage 80 Lbs. to Yard	Total Tonnage All Weights
1920.....	.....	.....	16,297	2,944	19,241
1921.....	.....	.....	19,572	1,283	20,855
1922.....	.....	.....	11,604	1,245	12,849
1923.....	.....	.....	14,199	2,308	16,507
1924.....	.....	9,515	6,232	620	16,367
1925.....	7,378	4,501	880	36	12,795
1926.....	13,541	26	3,634	723	17,924

The increase in the cost of track laying and surfacing-applying, results from the increased rail renewals in 1926, with the added cost of replacing lighter rail sections with 130-pound rail, which involves the replacing of all old, with new tie plates and the re-ading of the ties.

There was a substantial increase in 1926 in the cost of maintaining docks and wharves, which was principally due to extensive repairs to Piers Nos. 3 and 4, Hoboken, N. J.; repairs and renewals of ferry float bridges and racks at ferry landings in Hoboken, N. J., and 23rd Street, New York City; also retirement of old docks at the Brighton Marine Repair Yard, West New Brighton, Staten Island, incident to the installation of the new dry dock at that point.

The cost of maintaining signals and interlockers was normal throughout the year, although less than in the preceding year on account of large expenditures in 1925, for renewing trunking and underground wires.

MAINTENANCE OF EQUIPMENT

The total expenditures for Equipment Maintenance in 1926, were \$16,342,981, a decrease of \$919,162 from similar costs in the year 1925.

By reference to page 20 of this report, it will be noted that substantial reductions in cost were effected in the repairs of rolling stock, steam locomotive repairs showing a decrease of \$195,479, freight train car repairs a decrease of \$648,527, and passenger train car repairs a decrease of \$87,232.

All of the equipment in the foregoing classes was adequately maintained and in good physical condition at the close of the year.

Amongst the contributing causes for the reduced cost above indicated, there should be mentioned the established policy of the Company to retire promptly from service, locomotives and cars, as soon as, due to age or obsolescence in type, the cost of repairing the units becomes excessive and disproportionate to their productiveness; the installation of modern and high speed machine tool equipment, in both locomotive and car shops; and the further development and increased effectiveness of the piece work system in shop operations.

Associated with the above mentioned reductions in cost, attention is directed to the new and modern scrap plant, of binless construction and traveling crane type, located at Keyser Valley, Scranton, which was completed and placed in operation January 4th, 1926.

The erection of this plant permitted the abandonment of six scrap docks of the elevated platform type, located at various points, and concentrated the handling of scrap material recovered from shop operations at one point. The improved methods, made possible with the facilities afforded by this plant, of sorting, torching, shearing and loading scrap for market, and reclaiming usable materials therefrom, effected savings in 1926, approximating the entire cost of the installation.

The increase of \$125,376 in floating equipment repairs was wholly due to renovating and increasing the length of the ferryboats "Lackawanna" and "Hopatcong." Both were lengthened 20' 2", thus increasing the capacity of each boat 31,318 cubic feet; also substituting new type Scotch boilers, of increased capacity, for the original boilers, at a total cost of \$320,206, of which \$142,009 was chargeable to Operating Expenses-Floating Equipment Repairs, and the balance, \$178,197, to Investment account.

The operations of the Brighton Marine Repair Yard, located at West New Brighton, Staten Island, jointly owned by the Lehigh Valley Railroad and your Company, were extended during the year 1926 and a much greater proportion of the necessary repairs to floating equipment of both companies was made at this plant at costs substantially less than would have been incurred for similar repairs made by outside dry dock companies.

TRANSPORTATION EXPENSES

The total cost of conducting transportation, in the year 1926, was \$33,095,084, an increase, compared with 1925, of \$387,697.

The increased costs in 1926, compared with the previous year, were, for the most part, in the wages of station employes and yard and train crews, which increases were mainly caused by the additional freight traffic handled and, to some extent, by the increased rates of pay made effective December 1st, 1926.

As measured by net ton miles, the company transported, during the year 1926, 7.13 per cent more freight traffic than was handled in the year 1925, and this additional transportation performance was accomplished with an increase of only 2.57 per cent in train mileage and 2.05 per cent in road locomotive mileage.

The satisfactory showing in performance per locomotive and train mile, was primarily due to handling a greater tonnage of anthracite coal, a heavy loading commodity, but the heavy power made available during the latter part of the year by the installation of twenty-five new Mountain type three-cylinder locomotives, contributed substantially to the relative reduction in train and locomotive mileage.

The transportation performance, in connection with passenger traffic, was approximately the same as in the previous year.

There was a decrease in the cost of fuel for yard and road locomotives in the year 1926, of \$78,512, notwithstanding that, due to increased traffic, the quantity of coal used in 1926, was 68,582 tons more than in 1925.

This decrease was partly due to a reduction in the average price of coal at distributing point, in 1926, of 18 cents per ton, under the average prices of the year 1925, but the organized efforts to effect economies in the use of fuel that proved so successful in the year 1925, were continued, resulting in a further saving in the consumption of fuel, in road and yard service, in 1926, of upwards of \$50,000. This is additional to the saving of \$250,000, in 1925.

The substantial increase in the cost of icing and watering cars is due to inadequacy of the tariff allowance for icing, to meet the increased cost to the Company of the stated refrigeration furnished.

There was a slight increase in Loss and Damage—Freight, but in view of the increased traffic during the year 1926, the expense in this connection is as favorable as might be expected, and indicates the continued success of the efforts that are being made by both shippers and railroad, to reduce to the minimum loss and damage to freight in transit. The payments for Loss and Damage in 1926, were equivalent to .72 per cent of the total Freight Revenue, as compared with .74 per cent, in 1925.

The substantial decrease in the cost of Injuries to Persons, is explained by the abnormal costs incurred in the previous year, growing out of settlement of claims in connection with the passenger train derailment at Rockport, N. J., June 16th, 1925.

WELFARE EXPENDITURES PENSIONS

Under the Pension System adopted by your Company, effective June 1st, 1902, there was paid to retired employes during the year 1926—\$347,161.36, an increase over similar payments in 1925, of \$45,140.91. Owing to the increasing rates of pay of employes in service, all of whom are potential pensioners, the increase in pension payments has been progressively greater from year to year and it may be expected that this condition will continue for a number of years in the future.

As indicating the growth of the pension payments, the following comparison by five-year periods may be of interest:

June 1, 1902 to Dec. 31, 1906 (4 years 7 months).....	\$124,060.06
Jan. 1, 1907 to Dec. 31, 1911.....	346,028.00
Jan. 1, 1912 to Dec. 31, 1916.....	566,017.57
Jan. 1, 1917 to Dec. 31, 1921.....	869,470.06
Jan. 1, 1922 to Dec. 31, 1926.....	1,378,074.12
	\$3,283,649.81

Statistical information in respect of pensioned employes on the rolls December 31st, 1926, is as follows:

Effective since June 1, 1902	
Total Number on List, December 31, 1926.....	568
Greatest Length of Service.....	60 yrs. 9 months
Number of Pensioners who served 50 years or over.....	74
Number of Pensioners who served between 40 and 50 years.....	206
Number of Pensioners who served between 25 and 40 years.....	275
Number of Pensioners who served less than 25 years.....	13
Average Number of Years in Employ of the Company.....	39 yrs. 6 months
Average Age at Retirement.....	66 yrs. 10 months
Average Age at Present Time.....	72 yrs. 8 months
Died during the Year.....	72
Number of Names Added to List during Year.....	99
Average Pension Payroll per month.....	\$28,930.11
Total Number Pensioned to Dec. 31, 1926.....	1,470
Total Pensions paid June 1, 1902 to Dec. 31, 1926.....	\$3,283,649.81

GROUP INSURANCE

In connection with the plan authorized and made effective February 1st, 1922, your company paid as its proportion of the premiums assessed for the year 1926, \$161,437.52, an increase over similar payments in the year 1925, of \$25,807.69.

A statement of the transactions under the plan, during the year 1926 and the number of beneficiaries at the close thereof, together with other important details, are as follows:

Effective February 1, 1922

Number Insured, December 31, 1926.....	18,813
Total Insurance, December 31, 1926.....	\$37,283,000.00
Deaths during the Year 1926.....	226
Permanent Disability Claims, Year 1926.....	13
Insurance Company paid Account Deaths during 1926.....	\$418,000.00
Insurance Company paid Account Disability Claims during 1926....	\$25,000.00
Number of Employees insured for \$10,000 as of December 31, 1926...	218
Number of Employees insured for \$ 5,000 as of December 31, 1926...	88
Number of Employees insured for \$ 2,000 as of December 31, 1926...	16,156
Number of Employees insured for \$ 1,000 as of December 31, 1926...	2,351

Premiums paid for the Year 1926, were as follows:

Employees pay 59.07 per cent of Premiums.....	\$233,017.35
Company pays balance or 40.93 per cent.....	\$161,437.52
Average Monthly Payment by the Company.....	\$13,453.13
Number of Employees died February 1, 1922 to December 31st, 1926.	650
Number of Employees paid Permanent Disability Benefits.....	29
Amount paid Account of Death.....	\$1,228,000.00
Amount paid Account of Permanent Disability Benefits.....	\$56,000.00

As related to the foregoing expenditures, the Company paid as its proportion of the 1926 deficit from the operation of the Moses Taylor Hospital, of Scranton, Penna., \$36,096.33.

TAXES

The increase in tax assessments during the past twelve years, is indicated by the following:

Calendar Years	Total Tax Assessments	Taxes per Dollar of Gross Revenue	Taxes per Dollar of Revenue after Operating Expenses
		Cents	Cents
1915.....	\$2,115,333.84	4.72	12.42
1916.....	2,517,882.68	4.88	12.82
1917.....	3,584,917.49	6.27	18.35
1918.....	3,922,872.54	5.71	20.85
1919.....	5,159,802.72	7.18	32.74
1920.....	4,539,785.14	5.45	47.79
1921.....	4,979,439.57	5.80	28.01
1922.....	4,894,466.10	6.56	44.72
1923.....	5,995,697.51	6.80	32.02
1924.....	6,900,101.85	7.96	31.02
1925.....	6,832,652.72	8.17	32.16
1926.....	7,671,403.68	8.64	29.03

If the progressive increases from year to year in tax assessments, indicated by the foregoing table are continued, serious impairment of the financial stability of the railroads must be the inevitable result.

It is to be hoped that the next Congress will take some action to reduce the corporation tax rate which, for the year 1926, was 13½ per cent of net income.

ADDITIONS AND BETTERMENTS

Charges to the Investment Account for Road and Equipment of your Company and its leased lines, less credits for property retired from service during the year 1926, were \$8,384,685.22, a classified statement of which appears on page 24.

Some of the projects that were either completed, or upon which substantial expenditures were made during the year, are as follows:

1. Completing new cut-off line, Kingsland, N. J., to Harrison, N. J. This line was opened for operation June 15th, 1926, since which time the movement of freight from the break-up yard at Secaucus to the Harrison Freight Yard, for delivery at Newark and the Oranges, has been accomplished via this route, thereby relieving the previously existing congestion on the Morristown Line, between the junction at west end of Bergen Tunnel and Harrison, N. J.
2. Completing new freight station and increased yard facilities at Passaic, N. J.
3. Elimination of grade crossing at Bloomfield Ave., Passaic, N. J., including a structural steel span extending over the four railroad tracks.
4. Elimination of grade crossing at Broad Street, Clifton, N. J., by the erection of a four-track reinforced concrete railroad bridge.
5. Constructing an overhead concrete viaduct to eliminate three grade crossings at Martins Creek, Penna.
6. The addition of a new freight house and platform at Pen Argyl, Penna.
7. Construction of a Central Reclamation Plant at Keyser Valley, Scranton, Penna., of modern design and equipped with facilities for assembling, sorting and classifying Scrap for the market, after recovering all usable materials therefrom.
8. Erecting new freight house of brick construction, with concrete platform, fire lines, etc., at Binghamton, N. Y. 50 per cent. completed.
9. Rebuilding railroad bridge over the Susquehanna River on Ithaca Branch, at Owego, N. Y., by substituting heavier through truss for present truss, extending south abutment with concrete and capping stone masonry piers and abutments with concrete.
10. Erection of freight house of brick construction, with concrete platforms, including paving and tracks, at Black Rock, Buffalo, N. Y.
11. Construction of Roberts-Schaefer type 1000-ton coaling plant and Roberts-Schaefer type 1000-ton sand storage plant, including necessary tracks, East Buffalo, N. Y.
12. Construction of a 105-foot twin span turntable, with motor, pit, etc., East Buffalo, N. Y.
13. The addition of new concrete and steel bridge and undercrossing, account of elimination of grade crossing, Colvin Street, Buffalo, N. Y., including the necessary raising of main tracks in connection therewith; and raising and capping abutments and repairing through plate girder with deck plate girder spans of bridge over Virgil Street, Black Rock Branch, Buffalo, N. Y.
14. Land acquired at Buffalo, N. Y., for extension of team track yard.
15. Electrification of Wallabout Yard, Brooklyn, N. Y.
16. Installation of track scales, as follows:

Scranton, Penna.....	One 167-ton track scale
Norwich, N. Y.....	" 150-ton " "
Cortland, N. Y.....	" 150-ton " "
Paterson Junction, N. J.....	" 150-ton " "
17. Installation of Gantry Cranes, as follows:

Newark, N. J., Broad Street Freight Yard.....	One Gantry Crane
Passaic, N. J., New Freight House.....	" " "
Cortland, N. Y.....	" " "
East Buffalo, N. Y.....	" " "
Kingston, Penna.....	" " "
18. Industrial tracks were laid, during the year 1926, at the following locations: Hackettstown, New Village, Passaic, Chatham, Murray Hill and Little Falls, in the State of New Jersey; Scranton, Wind Gap, Wyoming and New Milford, in the State of Pennsylvania; and Johnson City, Binghamton, Ithaca, Mt. Morris, Buffalo and Syracuse, in the State of New York.
19. Grade crossing automatic flasher signals were installed at thirty-six points on the railroad system.

In compliance with requirements of the War Department, incident to the further development of the Port of Newark, plans have been prepared for a new vertical steel drawbridge over the Hackensack River, on the main line, to replace the present drawbridge at that point.

This bridge will carry three railroad tracks and have a clearance above high water of forty feet, thus permitting a substantial part of the river traffic to pass the bridge without lifting the draw.

The draw, when lifted, will provide a river channel 150 feet in width.

In building the approach to the west side of the bridge, the roadbed will be raised for a distance of about one and one-half miles and approximately seven hundred thousand cubic yards of fill will be used in the east and west approaches, with a maximum fill at the bridge of thirty feet.

EQUIPMENT

New equipment acquired and installed during the year 1926, further details of which will be found on page 23, is as follows:

25	3-Cylinder Mountain Type Freight Locomotives.
1	Oil Electric Locomotive.
1	Electric Locomotive.
500	Steel Underframe 55-ton Box Cars.
400	All-Steel 70-ton Hopper Cars.
50	Steel Underframe 40-ton Flat Cars.
39	Single Deck Steel Underframe 40-ton Stock Cars.
30	Steel Underframe 8-wheel Caboose Cars.
40	Steel Underframe Milk Cars.
35	All-Steel Express Cars.
15	All-Steel Broad Vestibule Coaches.
4	All-Steel Mail and Baggage Cars.
2	All-Steel Dining Cars.
50	All-Steel Hart Convertible Ballast Cars.
1	All-Steel Locomotive Crane—25-ton capacity.
1	All-Steel Locomotive Crane—15-ton capacity.
1	Scale Test Car.
1	Russell Snow Flanger.
1	Floating Pile Driver and Scow.

The oil-electric locomotive and the electric locomotive indicated above were purchased and installed at South Brooklyn Terminal and Wallabout Terminal, Brooklyn, N. Y., respectively, and there was also purchased and installed at the Terminal of Harlem Transfer Company, at 135th Street, New York City, one oil-electric locomotive, all of which electric power was acquired to comply with the provisions of the Kaufman Act.

AUTOMATIC TRAIN CONTROL

In compliance with second order of the Interstate Commerce Commission, No. 13413, dated January 14, 1924, automatic train control will be extended from Elmira, N. Y., to Scranton, Penna., a distance of 132 miles of road, double track, and 130 locomotives, together with color light type automatic signals and a high voltage line for operating the signals and train control, between Elmira and Scranton, at a cost of upwards of eight hundred thousand dollars.

VALUATION

A tentative valuation of its railroad property was served on the Company by the Interstate Commerce Commission, on November 15th, last. The Company has filed its protest against the values found and hearings on the protest have been set for January 31st, 1927.

The Commission found and reported tentative values of railroad property existing on June 30th, 1918, and depreciated to that date, as follows:

Total property owned.....	\$ 95,217,200.
Total property leased.....	135,827,242.
Total property used.....	231,044,442.

Since June 30th, 1918, the date of the valuation herein referred to, there has been expended for Additions and Betterments, less Retirements, approximately 52 million dollars.

The principles, rules and methods adopted by the Commission in determining value, against which this Company's protest is directed, are matters to be determined in Court, at a later date, as the merits of the matters referred to have not yet been reviewed in any Court.

The valuable assistance rendered to the Company by its stockholders, in procuring competitive freight and passenger business during the past year, is hereby gratefully acknowledged.

The Management desires to express its appreciation of the continued loyal and efficient service rendered the Company by its Officers and Employees.

By order of the Board of Managers.

J. M. DAVIS,
President.

ANALYSIS OF INCOME ACCOUNT FOR THE YEAR ENDING DECEMBER 31st, 1926

To Taxes	\$7,671,403.68
“ Interest on Bonds	5,856.00
“ Rentals of Leased Roads:	
Morris & Essex R. R.	\$2,927,050.00
Morris & Essex Extension R. R.	8,840.00
Newark & Bloomfield R. R.	96,000.00
Passaic & Delaware R. R.	5,552.50
Passaic & Delaware Extension R. R.	4,000.00
Warren R. R.	174,790.00
Lackawanna R. R. Co. of New Jersey	430,000.00
Oswego & Syracuse R. R.	178,486.00
Utica, Chenango & Susquehanna Valley Ry	240,000.00
Syracuse, Binghamton & New York R. R.	300,000.00
Greene R. R.	22,350.00
New York, Lackawanna & Western Ry.	1,645,208.79
Valley R. R.	59,650.00
Sussex R. R.	32,772.00
Cayuga & Susquehanna R. R.	54,600.00
New York & Hoboken Ferry Co.	423,150.00
Rentals New York Piers	390,856.80
	6,993,306.09
To Additions and Betterments	692,196.01
“ Operating Expenses	62,377,489.33
“ Rentals Joint Facilities—Dr.	55,369.28
“ Uncollectible Railway Revenues	9,499.72
“ Interest on Unfunded Debt	63,351.01
Balance, being net income for the year, carried to Profit and Loss.	17,221,004.64
	<u>\$95,089,475.76</u>

By Operating Revenues	\$87,176,474.97
“ Incidental Revenues	1,628,270.00
“ Rentals Joint Facilities—Cr.	192,197.80
“ Income from Lease of Road	5,197.46
“ Sundry Additions and Deductions	38,345.39
“ Miscellaneous Income from Other Sources:	
Hire of Equipment	\$448,728.97
Income from Unfunded Securities and Accounts.	367,854.63
Miscellaneous Rent Income	298,714.99
Miscellaneous Non-Operating Physical Property	93,934.18
Dividend Income	524,881.86
Income from Funded Securities	4,298,836.23
Miscellaneous Income	2,977.74
Income from Sinking and Other Reserve Funds	4,310.00
Coal Mining Accounts—Net Credit	8,751.54
	<u>6,048,990.14</u>

\$95,089,475.76

PROFIT AND LOSS ACCOUNT FOR YEAR ENDING DECEMBER 31st, 1926

To Dividends (12% per annum)	\$10,132,932.00
“ Dividends (2% extra)	1,688,822.00
“ Balance to Credit:	
December General Balance Sheet	129,328,073.89
	<u>\$141,149,827.89</u>

By Balance Brought Forward from December 31st, 1925	\$123,706,986.05
“ Sundry Adjustments	221,837.20
“ Net Income for Year ending December 31st, 1926	17,221,004.64
	<u>\$141,149,827.89</u>

GENERAL BALANCE SHEET, DECEMBER 31st, 1926 AND 1925

ASSETS

	1926	1925	INCREASE OR DECREASE
INVESTMENTS:			
Investment in Road and Equipment:			
Road	\$49,688,349.07	\$48,889,931.79	\$798,417.28
Equipment	58,057,671.82	53,632,208.29	4,425,463.53
Improvement on Leased Railway Property	16,806,789.24	16,391,264.38	415,524.86
Miscellaneous Physical Property	2,247,286.14	2,279,792.46	32,506.32
Investment in Affiliated Companies:			
Stocks	9,559,690.25	9,557,540.25	2,150.00
Bonds	2,418,269.50	2,370,332.50	47,937.00
Notes	3,824,709.95	3,824,709.95	
Advances	2,160,782.30	2,127,638.64	33,143.66
Other Investments:			
Stocks	1,249,644.25	1,251,404.25	1,760.00
Bonds	95,624,226.24	103,790,673.38	8,166,447.14
Notes	682,539.69	699,935.86	17,396.17
Advances	10,645,633.37	6,681,447.52	3,964,185.85
	\$252,965,591.82	\$251,496,879.27	
CURRENT ASSETS:			
Cash	\$3,908,092.30	\$3,153,118.24	754,974.06
Demand Loans and Deposits	3,000,000.00	0	3,000,000.00
Loans and Bills Receivable	727.28	549.23	178.05
Traffic and Car Service Balances Receivable	1,224,803.50	1,215,381.22	9,422.28
Net Balances Receivable from Agents and Conductors	970,807.17	936,583.54	34,223.59
Miscellaneous Accounts Receivable	2,005,396.67	1,719,778.29	285,618.38
Materials and Supplies	3,832,623.91	4,297,273.94	464,650.03
	\$14,942,450.79	\$11,322,684.46	
DEFERRED ASSETS:			
Working Fund Advances	\$32,251.08	\$31,289.65	961.43
Insurance and Other Funds	102,019.50	102,019.50	
	\$134,270.58	\$133,309.15	
UNADJUSTED DEBITS:			
Rents and Insurance Premiums Paid in Advance	\$675,723.55	\$718,786.26	43,062.71
Other Unadjusted Debits	456,375.20	656,384.71	200,009.51
Securities Issued or Assumed Unpledged	3,058,300.00	3,058,300.00	
	\$4,190,398.75	\$4,433,470.97	
	\$272,232,711.94	\$267,386,343.85	\$4,846,368.09

Figures in italics indicate decrease.

GENERAL BALANCE SHEET, DECEMBER 31st, 1926 AND 1925

LIABILITIES

	1926	1925	INCREASE OR DECREASE
CAPITAL STOCK:			
Common Stock	\$87,277,000.00	\$87,277,000.00	
Premium on Capital Stock	70,720.00	70,720.00	
	\$87,347,720.00	\$87,347,720.00	
LONG TERM DEBT:			
Funded Debt Unmatured	\$320,000.00	\$320,000.00	
Non-Negotiable Debt to Affiliated Companies	15,683.50	170,060.73	\$154,377.23
	\$335,683.50	\$490,060.73	
CURRENT LIABILITIES:			
Loans and Bills Payable	\$ 0	\$3,000,000.00	3,000,000.00
Traffic and Car Service Balances Payable	2,069,459.76	2,085,351.31	15,891.55
Audited Accounts and Wages Payable	4,539,058.15	4,594,687.34	55,629.19
Miscellaneous Accounts Payable	11,557.99	10,760.10	797.89
Interest Matured Unpaid	3,258.00	3,138.00	120.00
Dividends Matured Unpaid	20,014.75	15,114.75	4,900.00
Unmatured Dividends Declared	4,222,055.00	4,222,055.00	
Unmatured Rents Accrued	1,412,386.73	1,405,641.34	6,745.39
Other Current Liabilities	193,605.46	176,586.96	17,018.50
	\$12,471,395.84	\$15,513,334.80	
DEFERRED LIABILITIES:			
Other Deferred Liabilities	\$66,989.20	\$66,610.43	378.77
UNADJUSTED CREDITS:			
Tax Liability	\$3,906,250.91	\$3,234,748.18	671,502.73
Insurance and Casualty Reserves	634,557.78	556,546.26	78,011.52
Operating Reserves	36,627.76	62,652.06	26,024.30
Accrued Depreciation—Equipment	29,794,804.92	28,818,714.09	976,090.83
Other Unadjusted Credits	1,604,429.63	1,694,138.25	89,708.62
	\$35,976,671.00	\$34,366,798.84	
CORPORATE SURPLUS:			
Additions to Property through Income and Surplus	\$6,706,178.51	\$5,894,833.00	811,345.51
Profit and Loss—Credit Balance	129,328,073.89	123,706,986.05	5,621,087.84
	\$136,034,252.40	\$129,601,819.05	
	\$272,232,711.94	\$267,386,343.85	\$4,846,368.09

Figures in italics indicate decrease.

COMPARATIVE STATEMENT SHOWING FREIGHT TRAFFIC MOVEMENT
FOR THE YEARS 1926 AND 1925

COMMODITY	1926 Tons	1925 Tons	INCREASE Tons	DECREASE Tons
PRODUCTS OF AGRICULTURE:				
Wheat	710,481	711,340		859
Corn	110,653	110,529	124	
Oats	141,972	165,210		23,238
Other Grain	64,868	86,218		21,350
Flour and Meal	448,595	398,679	49,916	
Other Mill Products	358,027	341,383	16,644	
Hay, Straw and Alfalfa	69,977	70,694		717
Tobacco	3,907	4,893		986
Cotton	30,246	45,185		14,939
Cotton Seed and Products except Oil	10,347	9,699	648	
Citrus Fruits	32,411	28,581	3,830	
Other Fresh Fruits	185,212	195,583		10,371
Potatoes	57,559	86,829		29,270
Other Fresh Vegetables	82,704	95,206		12,502
Dried Fruits and Vegetables	26,869	26,991		122
Other Products of Agriculture	134,341	183,715		49,374
TOTAL	2,468,169	2,560,735		92,566
PRODUCTS OF ANIMALS:				
Horses and Mules	3,476	2,322	1,154	
Cattle and Calves	68,723	62,477	6,246	
Sheep and Goats	9,694	8,775	919	
Hogs	40,293	34,987	5,306	
Fresh Meats	132,632	143,208		10,576
Other Packing House Products	106,196	90,237	15,959	
Poultry	64,551	59,964	4,587	
Eggs	80,148	74,370	5,778	
Butter and Cheese	95,086	89,380	5,706	
Wool	8,491	10,389		1,898
Hides and Leather	30,152	38,866		8,714
Other Products of Animals	42,550	34,957	7,593	
TOTAL	681,992	649,932	32,060	
PRODUCTS OF MINES:				
Anthracite Coal	10,957,570	8,672,085	2,285,485	
Bituminous Coal	2,508,510	2,067,232	441,278	
Coke	268,676	215,598	53,078	
Iron Ore	11,613	34,100		22,487
Other Ores and Concentrates	72,578	43,451	29,127	
Base Bullion Matte	47	91		44
Clay, Gravel, Sand and Stone	2,331,852	2,302,004	29,848	
Crude Petroleum	697	116	581	
Asphaltum	40,958	26,475	14,483	
Salt	186,114	221,607		35,493
Other Products of Mines	54,922	22,641	32,281	
TOTAL	16,433,537	13,605,400	2,828,137	

COMPARATIVE STATEMENT SHOWING FREIGHT TRAFFIC MOVEMENT
FOR THE YEARS 1926 AND 1925—Continued.

COMMODITY	1926 TONS	1925 TONS	INCREASE TONS	DECREASE TONS
PRODUCTS OF FORESTS:				
Logs, Posts, Poles and Cordwood	139,878	105,955	33,923	
Ties	30,396	27,218	3,178	
Pulp Wood	1,738	1,379	359	
Lumber Timber, Box Shooks, Staves and Headings	588,712	631,117		42,405
Other Products of Forests	132,335	112,428	19,907	
TOTAL	893,059	878,097	14,962	
MANUFACTURES AND MISCELLANEOUS:				
Refined Petroleum and Products	426,896	446,351		19,455
Vegetable Oils	33,983	32,203	1,780	
Sugar, Syrup, Glucose and Molasses . .	135,294	140,632		5,338
Boat and Vessel Supplies	476	316	160	
Iron—Pig and Bloom	216,992	252,766		35,774
Rails and Fastenings	83,556	46,850	36,706	
Bar and Sheet Iron, Structural Iron and Iron Pipe	503,852	458,242	45,610	
Other Metals, Pig, Bar and Sheet	146,524	164,122		17,598
Castings, Machinery and Boilers	253,926	204,774	49,152	
Cement	2,020,574	2,047,048		26,474
Brick and Artificial Stone	228,350	198,536	29,814	
Lime and Plaster	150,210	125,071	25,139	
Sewer Pipe and Drain Tile	27,525	23,294	4,231	
Agricultural Implements and Vehicles Other than Automobiles	140,780	159,114		18,334
Automobiles and Auto-Trucks	375,482	385,752		10,270
Household Goods and Second-Hand Fur- niture	3,957	3,393	564	
Furniture (New)	35,228	25,426	9,802	
Beverages	38,780	73,763		34,983
Ice	280,306	350,079		69,773
Fertilizers (All kinds)	43,666	43,672		6
Papers, Printed Matter and Books	83,127	78,526	4,601	
Chemicals and Explosives	479,314	453,526	25,788	
Textiles	34,550	43,018		8,468
Canned Goods (All Canned Food Products)	148,020	148,672		652
Other Manufactures and Miscellaneous . .	1,722,355	1,718,655	3,700	
TOTAL	7,613,723	7,623,801		10,078
Grand Total, Carload Traffic	28,090,480	25,317,965	2,772,515	
Merchandise—All L. C. L. Freight . . .	1,077,058	1,079,482		2,424
GRAND TOTAL—CARLOAD AND L. C. L. TRAFFIC	29,167,538	26,397,447	2,770,091	

ENGINE AND CAR STATISTICS
THE DELAWARE, LACKAWANNA AND WESTERN RAILROAD COMPANY AND LEASED AND OPERATED LINES FOR THE YEAR 1926 COMPARED WITH 1925

ENGINE STATISTICS

	1926	1925	INCREASE	DECREASE
Locomotive Repairs—Steam	\$5,624,112.36	\$5,821,759.24		\$ 197,646.88
Locomotive Repairs—Electric	950.67	0	\$ 950.67	
Yard Enginemmen	1,415,978.09	1,316,766.80	99,211.29	
Enginehouse Expenses—Yard	589,052.64	580,160.06	8,892.58	
Fuel for Yard Locomotives	1,194,608.37	951,693.05	242,915.32	
Yard Switching Power Purchased	542.48	0	542.48	
Water for Yard Locomotives	34,004.72	32,775.84	1,228.88	
Lubricants for Yard Locomotives	15,921.00	10,027.62	5,893.38	
Other Supplies for Yard Locomotives	19,536.10	19,464.31	71.79	
Train Enginemmen	2,881,396.02	2,838,811.83	42,584.19	
Enginehouse Expenses—Train	1,495,604.20	1,412,012.97	83,591.23	
Fuel for Train Locomotives	5,140,080.10	5,462,591.53		322,511.43
Water for Train Locomotives	264,884.09	253,964.62	10,919.47	
Lubricants for Train Locomotives	123,552.33	109,933.00	13,619.33	
Other Supplies for Train Locomotives	79,013.80	80,012.36		998.56
TOTAL	\$18,879,236.97	\$18,889,973.23		\$ 10,736.26
Average Annual Cost of Repairs per Locomotive	\$ 7,420.93	\$ 7,600.21		\$ 179.28
Freight Locomotive Miles—Steam	8,944,853	8,742,337	202,516	
Passenger Locomotive Miles—Steam	6,437,731	6,363,159	74,572	
Mixed Locomotive Miles—Steam	88,027	109,706		21,679
Special Locomotive Miles—Steam	7,833	5,753	2,080	
Switching Locomotive Miles—Steam	5,075,640	4,825,703	249,937	
Switching Locomotive Miles—Electric	8,868	0	8,868	
Non-Revenue Service Locomotive Miles	585,341	603,451		18,110
TOTAL	21,148,293	20,650,109	498,184	
AVERAGE COST PER MILE RUN:				
Repairs	\$.2660	\$.2819		\$.0159
Enginemmen	.2032	.2013	\$.0019	
Enginehouse Expenses	.0986	.0965	.0021	
Fuel for Locomotives	.2996	.3106		.0110
Water for Locomotives	.0141	.0139	.0002	
Lubricants for Locomotives	.0066	.0058	.0008	
Other Supplies for Locomotives	.0046	.0048		.0002
TOTAL	\$.8927	\$.9148		\$.0221
Tons Coal Consumed by Locomotives (Net)	1,948,127	1,879,545	68,582	
Gallons Valve Oil Used by Locomotives	109,078	102,820	6,258	
Gallons Engine Oil Used by Locomotives	176,620	159,267	17,353	
Miles Run to One Ton Coal	10.86	10.99		.13
Miles Run to One Pint Valve Oil	24.24	25.10		.86
Miles Run to One Pint Engine Oil	14.97	16.21		1.24

CAR STATISTICS

Passenger Train Cars—Repairs	\$ 959,198.35	\$1,047,007.57		\$ 87,809.22
*Freight Train Cars—Repairs	4,892,804.55	5,544,375.80		651,571.25
Average Annual Cost of Repairs per Passenger Train Car	1,039.22	1,159.48		120.26
Average Annual Cost of Repairs per Freight and Work-Train Car	168.94	190.33		21.39
Total Passenger Train Car Mileage	45,709,070	45,777,499		68,429
Total Freight and Work Train Car Mileage	320,578,848	305,732,890	14,845,958	
Average Annual Cost of Repairs per Mile Run Passenger-Train Cars	\$.0210	\$.0229		\$.0019
Average Annual Cost of Repairs per Mile Run Freight and Work Train Cars	.0153	.0181		.0028

* Includes Work Equipment Repairs.

COMPARISON OF EXPENSES—12 MONTHS ENDING DECEMBER 31st, 1926 AND 1925

OPERATING EXPENSES	1926	1925	Increase or Decrease
I. MAINTENANCE OF WAY AND STRUCTURES			
Superintendence	\$528,781.96	\$493,655.04	\$35,126.92
Roadway Maintenance	788,370.02	816,168.39	27,798.37
Tunnels and Subways	87,200.90	37,809.30	49,391.60
Bridges, Trestles and Culverts	483,453.77	393,978.55	89,475.22
Ties	465,416.49	535,082.65	69,666.16
Rails	468,478.63	307,671.56	160,807.07
Other Track Material	542,664.08	603,208.60	60,544.52
Ballast	192,098.70	196,192.15	4,093.45
Track Laying and Surfacing			
Applying	748,943.13	677,934.99	71,008.14
Track Maintenance	1,080,076.05	1,092,000.23	11,924.18
Train Service	103,699.43	85,540.00	18,159.43
Other Expenses	302.12	1,350.00	1,047.88
Right of Way Fences	55,978.37	62,061.71	6,083.34
Snow and Sand Fences and Snow Sheds	9,285.81	7,772.14	1,513.67
Crossings and Signs	210,038.95	200,410.64	9,628.31
Station and Office Buildings			
Hotels and Restaurants	4,018.85	2,585.67	1,433.18
Other Station and Office Buildings	508,173.17	555,471.15	47,297.98
Roadway Buildings	26,538.01	33,579.00	7,040.99
Water Stations	69,448.93	59,044.34	10,404.59
Fuel Stations	63,179.04	56,803.33	6,375.71
Shops and Enginehouses	343,507.73	322,634.84	20,872.89
Wharves and Docks	296,472.44	197,041.97	99,430.47
Coal and Ore Wharves	21,913.34	68,182.48	46,269.14
Gas Producing Plants	3,228.31	3,742.24	513.93
Telegraph and Telephone Lines	102,239.59	101,164.76	1,074.83
Signals and Interlockers	674,538.51	742,171.80	67,633.29
Power Plant Buildings	15,789.04	6,486.60	9,302.44
Power Distribution Systems	33,237.15	36,323.54	3,086.39
Power Transmission Systems	9,609.84	17,990.31	8,380.47
Power Line Poles and Fixtures	10,867.17	10,415.80	451.37
Power Sub-Station Buildings	652.35	3.10	649.25
Underground Conduits	2,733.20	399.09	2,334.11
Miscellaneous Structures	3,291.16	4,016.29	725.13
Paving	2,946.05	2,995.33	49.28
Roadway Machines	86,814.61	86,691.30	123.31
Small Tools and Supplies	133,743.12	136,843.99	3,100.87
Removing Snow, Ice and Sand	308,911.02	316,996.35	8,085.33
Assessments for Public Improvements	15,402.76	6,751.67	8,651.09
Injuries to Persons	85,809.28	71,770.86	14,038.42
Insurance	20,924.06	15,615.58	5,308.48
Stationery and Printing	17,134.66	17,993.06	858.40
Other Expenses	25,750.65	18,840.43	6,910.22
Maintaining Joint Tracks, Yards and Other Facilities Dr.	48,333.50	39,750.47	8,583.03
Maintaining Joint Tracks, Yards and Other Facilities Cr.	<i>118,790.13</i>	<i>111,370.81</i>	<i>7,419.32</i>
Total	\$8,581,205.82	\$8,331,770.49	\$249,435.33

COMPARISON OF EXPENSES—12 MONTHS ENDING DECEMBER 31st, 1926 AND 1925—Continued

OPERATING EXPENSES	1926	1925	Increase or Decrease
II. MAINTENANCE OF EQUIPMENT			
Superintendence	\$442,396.53	\$423,529.38	\$18,867.15
Shop Machinery	418,177.15	414,719.91	3,457.24
Power Plant Machinery	99,926.62	73,219.01	26,707.61
Power Sub-Station Apparatus	128.58	972.96	<i>844.38</i>
Steam Locomotives—Repairs	5,613,957.73	5,809,437.13	<i>195,479.40</i>
Steam Locomotives—Depreciation	739,927.64	733,625.10	6,302.54
Steam Locomotives—Retirements	36,503.73	21,866.80	14,636.93
Other Locomotives—Repairs	950.67		950.67
Other Locomotives—Depreciation	1,921.92		1,921.92
Freight Train Cars—Repairs	4,706,951.11	5,355,478.19	<i>648,527.08</i>
Freight Train Cars—Depreciation	1,310,184.18	1,553,982.93	<i>243,798.75</i>
Freight Train Cars—Retirements	<i>36,366.65</i>	<i>12,143.78</i>	<i>24,222.87</i>
Passenger Train Cars—Repairs	958,541.29	1,045,773.40	<i>87,232.11</i>
Passenger Train Cars—Depreciation	225,702.56	194,797.42	30,905.14
Passenger Train Cars—Retirements	17,182.44	14,130.88	3,051.56
Floating Equipment—Repairs	1,063,701.18	938,325.44	125,375.74
Floating Equipment—Depreciation	185,615.33	175,588.82	10,026.51
Floating Equipment—Retirements	1,334.20	2,915.20	<i>1,581.00</i>
Work Equipment—Repairs	184,916.28	187,904.68	<i>2,988.40</i>
Work Equipment—Depreciation	49,320.96	45,950.37	3,370.59
Work Equipment—Retirements	8,239.81	5,645.57	2,594.24
Miscellaneous Equipment—Repairs	<i>3,417.55</i>	7,826.94	<i>11,244.49</i>
Miscellaneous Equipment—Depreciation	4,097.05	3,919.81	177.24
Miscellaneous Equipment—Retirements	18,884.01		18,884.01
Injuries to Persons	81,442.66	88,318.03	<i>6,875.37</i>
Insurance	121,137.28	95,976.64	25,160.64
Stationery and Printing	21,266.85	23,777.20	<i>2,510.35</i>
Other Expenses	70,357.90	56,605.90	13,752.00
Total	\$16,342,981.46	\$17,262,143.93	<i>\$919,162.47</i>
III. TRAFFIC			
Superintendence	\$316,055.22	\$293,057.40	\$22,997.82
Outside Agencies	855,455.20	805,226.85	50,228.35
Advertising	172,793.05	156,376.54	16,416.51
Traffic Associations	81,456.66	76,137.60	5,319.06
Fast Freight Lines	37,638.43	39,573.04	<i>1,934.61</i>
Industrial and Immigration Bureaus	20,867.91	19,076.02	1,791.89
Insurance	554.41	596.76	<i>42.35</i>
Stationery and Printing	97,294.25	103,005.61	<i>5,711.36</i>
Other Expenses	2,547.01	2,060.93	486.08
Total	\$1,584,662.14	\$1,495,110.75	<i>\$89,551.39</i>

COMPARISON OF EXPENSES—12 MONTHS ENDING DECEMBER 31st, 1926 AND 1925—Continued.

OPERATING EXPENSES	1926	1925	Increase or Decrease
IV. TRANSPORTATION—RAIL LINE			
Superintendence	\$567,653.24	\$575,421.43	\$7,768.19
Dispatching Trains	287,868.50	285,062.44	2,806.06
Station Employees			
Agents, Clerks and Attendants	2,808,739.54	2,754,124.50	54,615.04
Labor at Stations	2,918,501.00	2,856,475.68	62,025.32
Coal and Ore Wharves	160,679.02	164,516.62	3,837.60
Station Supplies and Expenses	459,426.03	433,231.33	26,194.70
Yardmasters and Yard Clerks	1,160,366.45	1,156,689.32	3,677.13
Yard Conductors and Brakemen	2,180,859.07	2,037,748.87	143,110.20
Yard Switch and Signal Tenders	96,702.55	98,105.58	1,403.03
Yard Enginemen	1,415,978.09	1,316,766.80	99,211.29
Fuel for Yard Locomotives	1,194,608.37	951,693.05	242,915.32
Yard Switching Power Purchased	542.48		542.48
Water for Yard Locomotives	34,004.72	32,775.84	1,228.88
Lubricants for Yard Locomotives	15,921.00	10,027.62	5,893.38
Other Supplies for Yard Locomotives	19,536.10	19,461.34	74.76
Enginehouse Expenses—Yard	589,052.64	580,160.06	8,892.58
Yard Supplies and Expenses	31,489.81	35,134.46	3,644.65
Operating Joint Yards and Terminals. Dr.	17,022.69	17,556.68	533.99
Operating Joint Yards and Terminals. Cr.	<i>91,818.51</i>	<i>91,943.45</i>	124.94
Train Enginemen	2,875,975.10	2,833,181.31	42,793.79
Fuel for Train Locomotives	5,131,654.68	5,453,082.24	321,427.56
Water for Train Locomotives	264,240.38	253,389.62	10,850.76
Lubricants for Train Locomotives	123,309.43	109,691.20	13,618.23
Other Supplies for Train Locomotives	78,879.09	79,855.49	976.40
Enginehouse Expenses—Train	1,494,618.06	1,410,925.18	83,692.88
Trainmen	3,182,234.73	3,135,814.10	46,420.63
Train Supplies and Expenses			
Cleaning Cars	278,326.78	265,754.51	12,572.27
Heating Cars	56,546.43	59,574.98	3,028.55
Lighting Cars	70,434.99	81,865.94	11,430.95
Lubricating Cars	109,397.17	122,363.67	12,966.50
Icing and Watering Cars	82,315.24	18,646.61	63,668.63
Y. M. C. A.	31,786.19	32,848.85	1,062.66
Detouring Trains	449.08	870.38	421.30
Train Supplies	55,048.26	50,242.11	4,806.15
Other Expenses	263,596.36	282,324.34	18,727.98
Signal and Interlocker Operation	619,287.89	626,470.77	7,182.88
Crossing Protection	407,035.40	408,574.61	1,539.21
Drawbridge Operation	51,383.60	50,732.45	651.15
Telegraph and Telephone Operation	126,186.84	122,482.55	3,704.29
Operating Floating Equipment			
Superintendence	159,849.58	164,019.08	4,169.50
Wages of Crews	1,352,978.85	1,301,261.85	51,717.00
Fuel	351,729.68	356,473.34	4,743.66

COMPARISON OF EXPENSES—12 MONTHS ENDING DECEMBER 31st, 1926 AND 1925—Continued.

OPERATING EXPENSES	1926	1925	Increase or Decrease
IV. TRANSPORTATION—RAIL LINE—(Continued)			
Operating Floating Equipment (Continued)			
Lubrication	\$16,055.33	\$16,535.49	<i>\$480.16</i>
Other Supplies and Departmental Expenses	83,864.49	83,424.16	440.33
Other Expenses	81,751.36	70,365.54	11,385.82
Elevation and Longshore Labor	425,959.50	428,773.08	<i>2,813.58</i>
Stationery and Printing	173,789.73	179,827.39	<i>6,037.66</i>
Other Expenses	142,920.59	119,449.85	23,470.74
Operating Joint Tracks and Facilities Dr.	29,110.51	25,599.39	3,511.12
Operating Joint Tracks and Facilities Cr.	<i>83,434.86</i>	<i>79,467.14</i>	<i>3,967.72</i>
Insurance	104,601.32	101,914.68	2,686.64
Clearing Wrecks	45,406.78	45,455.37	<i>48.59</i>
Damage to Property	52,153.31	61,176.93	<i>9,023.62</i>
Damage to Live Stock on Right of Way	10,055.39	10,313.22	<i>257.83</i>
Loss and Damage—Freight	467,479.99	439,716.71	27,763.28
Loss and Damage—Baggage	2,100.16	1,684.46	415.70
Injuries to Persons	508,873.67	749,164.31	<i>240,290.64</i>
Total	\$33,095,083.87	\$32,707,386.79	\$387,697.08
VI. MISCELLANEOUS OPERATIONS			
Dining and Buffet Service	\$254,942.48	\$235,822.90	\$19,119.58
Hotels and Restaurants	431,838.50	435,781.42	<i>3,942.92</i>
Total	\$686,780.98	\$671,604.32	\$15,176.66
VII. GENERAL			
Salaries and Expenses of General Officers	\$275,682.87	\$244,358.22	\$31,324.65
Salaries and Expenses of Clerks and Attendants	1,006,548.02	993,599.80	12,948.22
General Office Supplies and Expenses	53,117.05	48,289.94	4,827.11
Law Expenses	249,541.49	224,800.33	24,741.16
Insurance	3,943.88	7,883.61	<i>3,939.73</i>
Pensions	348,550.11	302,224.52	46,325.59
Stationery and Printing	71,255.57	70,823.56	432.01
Valuation Expenses	81,042.54	74,151.83	6,890.71
Other Expenses	35,024.62	38,213.21	<i>3,188.59</i>
General Joint Facilities Cr.	<i>15,582.42</i>	<i>14,572.63</i>	<i>1,009.79</i>
Total	\$2,109,123.73	\$1,989,772.39	\$119,351.34
VIII. TRANSPORTATION FOR INVESTMENT Cr.	\$22,348.67	\$67,179.01	\$44,830.34
Total Operating Expenses	\$62,377,489.33	\$62,390,609.66	<i>\$13,120.33</i>

COST OF NEW EQUIPMENT AND ADDITIONS AND BETTERMENTS
TO EXISTING EQUIPMENT DURING THE YEAR 1926

25 Three-Cylinder Mountain Type Freight Locomotives	\$1,989,161.00
1 Oil Electric Locomotive	61,129.00
1 Electric Locomotive	24,290.00
500 Steel Underframe Box Cars	1,180,895.00
400 All Steel Hopper Cars	969,721.00
50 Steel Underframe Flat Cars	67,335.00
39 Single Deck Steel Underframe Stock Cars	65,788.00
30 Steel Underframe 8-Wheel Caboose Cars	96,345.00
40 Steel Underframe Milk Cars	279,841.00
35 All Steel Express Cars	625,985.00
15 All Steel Broad Vestibule Coaches	393,804.00
4 All Steel Mail and Baggage Cars	99,786.00
2 All Steel Dining Cars	111,686.00
50 All Steel Hart Convertible Ballast Cars	120,898.00
1 All Steel Locomotive Crane (25 Tons Capacity)	14,457.00
1 All Steel Locomotive Crane (15 Tons Capacity)	11,069.00
1 Scale Test Car	6,447.00
1 Russell Snow Flanger	4,724.00
Final Payment on Two All Steel Tugs	65,427.00
Final Payment on Floating Pile Driver and Scow	3,952.00
Equipping Locomotives with Elvin Stokers and Superheaters	55,334.00
Equipping Box Cars with Corrugated Steel Ends	39,721.00
Addition of Twenty Feet Two Inches to Length of Ferryboats "Lackawanna" and "Hopatcong", and Installing New Type Scotch Boilers	178,197.00
Miscellaneous Improvements to Locomotives, Passenger, Freight and Work Cars, and Floating Equipment	135,224.41
	\$6,601,216.41

EXPENDITURES FOR ADDITIONS AND BETTERMENTS
CHARGED TO INCOME ACCOUNT FOR YEAR 1926

Added Cost of Heavier Rails and Fastenings, Increased Number of Ties in Tracks, including Cost of Installation	\$352,467.60
Improvements to Station and Office Buildings, including Modern Accounting and Other Equipment Therefor	29,791.87
Improvements to Roadway Buildings, Shops, Enginehouses, Bridges, etc	51,456.29
Roadway, Shop and Power Plant Machinery	212,817.71
Building Industrial Tracks at Various Locations	45,662.54
	\$692,196.01

NET ADDITIONS AND BETTERMENTS TO RAILROAD PROPERTY, OWNED
AND LEASED, DURING THE YEAR ENDED DECEMBER 31st, 1926

Engineering	\$51,902.24
Land for Transportation Purposes	482,484.11
Grading	372,912.11
Tunnels and Subways	<i>39,242.47</i>
Bridges, Trestles and Culverts	396,712.47
Ties	159,872.89
Rails	236,930.85
Other Track Material	325,535.82
Ballast	56,318.96
Track Laying and Surfacing	115,563.43
Right of Way Fences	5,898.35
Snow and Sand Fences and Snowsheds	2,243.58
Crossings and Signs	119,442.11
Station and Office Buildings	480,992.69
Roadway Buildings	14,739.05
Water Stations	24,989.63
Fuel Stations	86,248.89
Shops and Enginehouses	62,012.58
Wharves and Docks	26,070.64
Telegraph and Telephone Lines	11,625.05
Signals and Interlockers	175,490.89
Power Plant Buildings	30,200.31
Power Substation Buildings	4,168.65
Power Transmission Systems	1,611.13
Power Distribution Systems	35,828.96
Power Line Poles and Fixtures	11,959.95
Underground Conduits	<i>1,088.11</i>
Miscellaneous Structures	883.72
Roadway Machines	13,200.27
Assessments for Public Improvements	29,235.99
Other Expenditures—Road	26,223.63
Shop Machinery	110,780.91
Power Plant Machinery	285,272.22
Power Substation Apparatus	1,145.17
Unapplied Construction Material and Supplies	<i>147,117.76</i>
Steam Locomotives	1,637,752.60
Other Locomotives	85,418.83
Freight-Train Cars	1,228,923.91
Passenger-Train Cars	1,334,363.08
Floating Equipment	205,581.86
Work Equipment	105,548.74
Miscellaneous Equipment	6,071.09
Taxes	5,224.61
Interest During Construction	204,751.59
Total	\$8,384,685.22

Figures in italics indicate decrease.



